

Investment Strategy

We employ a thematic approach to identify attractive small cap stocks:

- Quantitative screening includes market cap and credit risk.
- Research and identify key structural and cyclical themes with the potential for superior long-term growth.
- Select small cap/micro cap companies best positioned to take advantage of these themes: companies that have pioneering business models, strength of position in industry value chain, strong management and attractive valuations.
- We apply a rigorous, ongoing sell discipline – when growth prospects weaken or stock price begins to reflect underlying value.

Strategy Facts

Composite Name: Japan Small Cap Equity Strategy–Small Focus Composite (Japan Small Cap Equity)

Advisor: Clearbrook, LLC.

Sub-Advisor: Mitsubishi UFJ Trust and Banking Corporation

Composite Inception Date: October 1, 2005

Net Assets as of 01/31/2023: \$75.6M USD

Management Fee: 0.75%

Benchmark: Russell/Nomura Small Cap Index

Portfolio Characteristics

	Japan Small Cap Equity*	Russ/Nom Small Cap
Number of Holdings	127	1,198
Wtd. Avg. Mkt. Cap. (\$)	967.0M	1.45B
P/E	17.94	19.58
P/B	3.55	2.13
ROE %	10.49	8.79
Dividend Yield %	2.35	2.54

*Based on representative portfolio

All data as of 01/31/2023 unless noted

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Performance (%) USD as of 01/31/2023

Composite	1 Mon*	3 Mon*	6 Mon*	YTD*	1 Yr	3 Yr	5 Yr	7Yr	10Yr	Since Incept
Japan Small Cap Equity Gross	6.05	20.45	11.25	6.05	-2.83	5.51	1.36	13.08	14.57	9.54
Japan Small Cap Equity Net	5.99	20.23	10.84	5.99	-3.55	4.73	0.61	12.24	13.73	8.73
Russell/Nomura Small Cap	4.51	16.79	6.92	4.51	-2.23	-0.70	-2.60	5.27	6.33	3.69
Excess Ret (Gross-Russ/Nom)	1.54	3.67	4.33	1.54	-0.60	6.20	3.97	7.81	8.24	5.85

*Returns for periods under one year are not annualized.

Performance data quoted represents past performance; past performance does not guarantee future results. Performance shown is for the Japan Small Cap Equity. Gross returns are presented before management and custodial fees, but after all trading expenses and reflect the reinvestment of dividends and other income. Net returns are net of investment management fees in effect for the respective time period and are derived using the maximum highest published rate. Fees charged are at the discretion of HighMark. The strategy does not invest to an index. The strategy uses the Russell/Nomura Small Cap Index as a comparative benchmark only. Performance may be attributable to profits from IPO securities. IPO securities have no trading history and the prices may be volatile. There is no guarantee this level of performance will be repeated. Japanese issuers and underwriters prioritize allocations of IPO securities to domestic investors; therefore, overseas investors (not based in Japan) may have less access to small and mid-cap IPO securities allocations than a domestic investor. The investment return and principal value of an investment will change so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the strategy may be lower or higher than the performance quoted. Composite data is calculated in JPY and converted to USD using the WM/Reuters Closing Spot Rates 4pm London close. The Russell/Nomura Small Cap Index is also converted from JPY to USD using the same exchange rate source.

Market and Strategy Commentary: January 2023

Japan Markets:

- Japanese small-cap equities recovered in January, with Russell/Nomura Small Cap index returning +4.51%. Small Cap stocks slightly underperformed Large Caps. By factor, the market did not show any inclination, but growth stocks were slightly ahead of value stocks.
- Early in the month, the Japanese equity market declined slightly as the tightening interest rates outlook in the US and the further spread of COVID-19 in China drew attention.
- In mid-January, the Japanese market was led higher by Large Cap stocks with help from the lower US wage inflation figure. However, the recovery in Small Cap stocks was somewhat subdued compared to Large Cap stocks. US interest rates softened on the back of benign US CPI data announced on January 12th, which caused the US dollar to depreciate against the Japanese yen. Again, the Small Cap recovery still lagged behind Large Cap stocks.
- Later in the month, the Japanese equity market recovered as the Bank of Japan's Monetary Policy Meeting maintained its ultra-easing policy, defying market expectations that rising inflation could force the central bank to move away from low interest rates.

MUFG Japan Small Cap Equity Strategy:

- The Japan Small Cap Strategy returned +5.99% USD, outperforming the Index by 1.48%.
- The best performer was Mitsui High-tec, Inc., a manufacturer of integrated circuit leadframes and electric motor cores. The share price advanced sharply as the market sentiment towards the semiconductor and automotive industries improved. Another positive contributor was Sansan, Inc., a cloud-based contact management solutions provider with a wide customer base covering corporates, public offices, and local governments. The share price rebounded after releasing its Q2 FY5/23 (Jun-Nov) earnings results, supported by new orders growth and the announcement of revitalizing the marketing workforce.
- Conversely, the worst contributor was Syuppin Co., Ltd., an operator of online boutiques for high-end used cameras, watches and pens. The share price declined was due to the slowdown in sales growth and lagging inbound tourism as Japan toughened its COVID-19 border control rules for travelers directly from China. Another detractor was Eiken Chemical Co., Ltd., a manufacturer of clinical testing devices. The share price dropped due to expectations for decreasing demand of COVID-19 detection reagents on the back of the plan that COVID-19 will be downgraded in May to the same category of infectious diseases as seasonal influenza.

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MUFG Japan Small Cap Equity Strategy

About the Strategy in USD as of 01/31/2023

Returns Based Statistics (vs Russell/Nomura Small Cap)

	One Yr	Three Yr	Five Yr	Ten Yr
Excess Return	-0.60	6.20	3.97	8.24
Beta	1.17	1.19	1.18	1.11
Information Ratio	-0.08	0.75	0.54	1.20
Sharpe Ratio*	-0.14	0.26	0.07	0.86
Tracking Error %	7.48	8.24	7.37	6.89
Standard Deviation (Portfolio) %	20.84	21.22	19.37	16.98
Standard Deviation (BM) %	16.84	16.70	15.34	13.99

*Sharpe Ratio: the risk free rate is not used in the calculation. The calculation shown here represents Portfolio Return divided by Portfolio Standard Deviation.

Sector Diversification (%)

	Japan Small Cap Equity*	Russ/Nom Small Cap
Industrials	24.76	23.72
Information Technology	22.35	15.11
Consumer Discretionary	13.14	15.96
Materials	12.18	11.59
Financials	9.27	8.84
Health Care	6.20	6.98
Communication Services	2.93	4.04
Consumer Staples	2.22	9.56
Utilities	1.29	1.68
Real Estate	0.87	1.42
Energy	0.00	1.10
Others	0.83	-
Cash & Cash Equivalent	3.96	-

*Based on Representative Portfolio

Top Ten Holdings (%)*

Mitsui High-Tec, Inc.	2.24
Chubu Steel Plate Co., Ltd	2.19
Iriso Electronics Co., Ltd.	2.02
CTS Co., Ltd.	1.75
JFE Holdings, Inc	1.74
Techmatrix Corp.	1.74
Sanyo Denki Co., Ltd.	1.69
Towa	1.62
Open House Group Co., Ltd.	1.59
Konoshima Chemical	1.54
Total	17.12

*Based on Representative Portfolio ex-Cash. Portfolio holdings are subject to change and are not recommendations to buy or sell any security.

Our Small Cap Investment Team



Yoshiro Mizukami, CMA
Chief Portfolio Manager, Head of Japan Small Cap Equities Team
32 years experience



Yoshitaka Nagano, CMA
Small Cap Manager/Analyst
24 years experience



Koichiro Ishii, CMA
Small Cap Analyst
9 years experience



Koichi Kano
Small Cap Analyst
2 years experience

*Clearbrook Investment Consulting is the investment advisor to the MUFG Japan Small Cap Equity Strategy.

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Mitsubishi UFJ Trust and Banking Corporation (MUTB) claims compliance with the Global Investment Performance Standards (GIPS®). A complete list of firm composites and performance can be requested from Natasha Koprivica at nkoprivica@clbrk.com or 857.919.1048. Performance numbers have been provided by MUTB and have not been verified by Clearbrook Investment Consulting.

Please see the GIPS® Compliant Performance Report for further explanation. The comparative benchmark is the Russell/Nomura Small Cap Index. The Russell/Nomura Small Cap Index contains those Russell/Nomura Small Cap securities with less-than-average growth characteristics. The index contains the bottom 15% of the Russell/Nomura Total Market Index in terms of float-adjusted market cap. **One cannot invest directly in an index.** **Beta:** systematic risk of a composite; represents sensitivity to the benchmark. **Excess Return (Gross):** amount that gross returns exceed relative benchmark return. **Information Ratio:** ratio of expected return to risk, as measured by standard deviation. **Price to Book (P/B):** ratio of stock price to book value. **Price to Earnings (P/E):** ratio of stock price to earnings. **Return on Equity (ROE):** net income divided by equity. **Standard Deviation:** measures dispersion of a set of data from its mean. **Tracking Error:** measures the active risk of the composite and the annualized standard deviation of the excess returns between the composite and its benchmark. **Weighted Average Market Cap:** total value of all outstanding shares weighted by market capitalization.

*Clearbrook Investment Consulting, LLC ("CIC") is an SEC-registered investment adviser. CIC primarily provides pensions consulting and family office advisory services for a wide variety of for-profit and nonprofit organizations. All strategy, assets under management and performance data described above refer to professional advisory services which CIC has engaged MUTB to act as subadvisor for the MUFG Japan Small Cap Equity Strategy. Fees charged are at the discretion of CIC; investment advisory fees are described in CIC's Form ADV Part 2, which is available upon request. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. A complete list of all recommendations in the MUFG Japan Small Cap Equity Strategy, within the past year are available free of charge by contacting CIC. Actual securities held in any individual account will vary and are subject to change. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client's investment needs and objectives. A complete list of all recommendations in the MUFG Japan Small Cap Equity Strategy, within the past year are available free of charge by contacting Clearbrook. Actual securities held in any individual account will vary and are subject to change.